



**State Water Resources Control Board
Water Quality Fee Stakeholder Meeting
June 5, 2009
1:00 p.m. – 4:00 p.m.
Cal/EPA Building
1001 I Street
Sacramento, CA
Training Room 1 (East and West)
Conference call-in number is (916) 227-1132**

AGENDA

1. Welcome and Introductions
2. Review Waste Discharge Permit Fund Financial Condition
3. Discuss Proposed Changes to the Fee Regulations for Fiscal Year 2009/10
4. Discuss Outstanding Issues
5. Next Meeting

**State Water Resources Control Board
Water Quality Fee Regulations
Stakeholder Meeting
June 5, 2009**

Authority

Water Code Section 13260 requires each person who discharges waste or proposes to discharge waste that could affect the quality of the waters of the state to file a report of waste discharge with the appropriate Regional Water Board and to pay an annual fee set by the State Water Board, the funds from which are to be deposited in the Waste Discharge Permit Fund (WDPF).

Water Code Section 13260 also requires the State Water Board to adopt, by emergency regulations, an annual schedule of fees for persons discharging waste to the waters of the state. Water Code Section 13260 further requires the State Water Board to adjust the fees annually to conform to the revenue levels set forth in the Budget Act. The State Water Board's current annual fee schedules were adopted on October 7, 2008.

Financial Condition

As Attachment 1 shows total estimated WDPF revenue for FY 08-09 is approximately \$78.5 million, including \$76.9 million in fee revenue and \$1.6 in other revenue. Total expenditures are \$78.6 million. Expenditures exceed revenue by \$80,000.

Attachment 2 shows a six-year analysis of revenues and expenditures by program. As Chart 2 shows, revenues are expected to be very close to expenditures in all programs except for NPDES Stormwater and 401 Certifications. These two programs are expected to see a decline in revenue in FY 08-09 due to the economic downturn.

Attachment 3 shows an analysis of the fund condition for WDPF. The FY 08-09 beginning balance of \$9.7 million includes an additional \$580,000 in prior year adjustments and \$3.2 million in fines and penalty revenue not available for expenditure for core regulatory activities, which leaves an adjusted beginning balance of \$7.1 million. Total estimated revenue is approximately \$78.5 million, including \$76.9 million in fee revenue and \$1.6 in other revenue. Total expenditures, including a projected furlough savings totaling \$2.1 million, are \$76.4 million, resulting in a \$2 million gain with an ending balance of \$9.2 million.

The FY 09-10 beginning balance of \$9.2 million includes a projected \$1.5 million in fines and penalty revenue not available for expenditure for core regulatory activities, which leaves an adjusted beginning balance of \$7.7 million. Under the current fee schedule rates, total revenue is anticipated to be \$76.1 million. Total expenditures, including a projected furlough savings totaling \$2.6 million, are \$76.4 million, resulting in a \$302,000 deficit with an ending balance of \$7.4 million.

For FY 10-11, the projected beginning balance is approximately \$7.4 million. Under the current fee schedule rates, total revenue is anticipated to be \$75 million and total estimated expenditures are \$79.4 million, resulting in a \$4.4 million deficit with an ending balance of \$3 million.

Proposed Changes for FY 09-10

As a result of the fee schedule changes in Fiscal Year 08-09 for the NPDES program, some dischargers received significant fee increases while other dischargers received significant fee decreases. Steam Electric Power Plants (SEPPs), in particular, paid significantly higher fees because of their very large flows. For Fiscal Year 09-10, the State Water Board will consider its options to help ensure that the NPDES fee schedule is equitable to all NPDES dischargers.

The State Water Board staff has developed the following five revenue neutral fee options for the NPDES program:

NPDES Fee Options

Option 1:

Option 1 is the current fee schedule that was adopted on October 7, 2008. All Non-General NPDES dischargers and SEPPs pay a base fee of \$1,000 plus \$551 multiplied by the permitted flow (mgd) with no fee cap.

Option 2:

All Non-General NPDES dischargers and SEPPs would pay a base fee of \$1,000 plus \$3,265 multiplied by the permitted flow (mgd) with a fee cap of \$136,000.

Option 3:

All Non-General NPDES dischargers would pay a base fee of \$1,000 plus \$2,220 multiplied by the permitted flow as measured in millions of gallons per day (mgd) with a fee cap of \$250,000 for SEPPs and a fee cap of \$150,000 for all other Non-General NPDES dischargers.

Option 4:

All Non-General NPDES dischargers would pay a base fee of \$1,000 plus \$1,302 multiplied by the permitted flow (mgd) with a fee cap of \$250,000 for SEPPs and no cap for all other Non-General NPDES dischargers.

Option 5:

All Non-General NPDES dischargers and SEPPs would pay a base fee of \$1,000 plus \$2,260 multiplied by the permitted flow (mgd) with a fee cap of \$200,000.

Summary of Options

Category	Option 1 (Current Fees)	Option 2	Option 3	Option 4	Option 5
	Charge per MGD	Charge per MGD	Charge per MGD	Charge per MGD	Charge per MGD
SEPPs Non General	\$551 \$551	\$3,265 \$3,265	\$2,220 \$2,220	\$1,302 \$1,302	\$2,260 \$2,260
	Cap	Cap	Cap	Cap	Cap
SEPPs Non General	No Cap No Cap	\$136,000 \$136,000	\$250,000 \$150,000	\$250,000 No Cap	\$200,000 \$200,000

Based on current NPDES discharger flow information, Chart 1 illustrates the changes in fees for Non-General dischargers within different flow ranges and which options would increase fees the least amount within those flow ranges.

Chart 1

Flow Range (mgd)	Non-general Dischargers	Current Fee Range Option 1	Changes under Option 2	Changes under Option 3
0 - .25	187	\$1,000 - \$1,138	\$0 - \$616	\$0 - \$417
.258 - 1.0	111	\$1,142 - \$1,551	\$700 - \$2,714	\$431 - \$1,669
1.036 - 5.0	112	\$1,571 - \$3,755	\$2,812 - \$13,570	\$1,729 - \$8,345
5.1 - 20.0	74	\$3,810 - \$12,020	\$13,841 - \$54,280	\$8,512 - \$33,380
20.2 - 108	40	\$12,130 - \$60,508	\$54,823 - \$111,307	\$33,714 - \$89,492
120 - 496	10	\$67,120 - \$274,296	\$68,880 - (\$138,296)	\$82,880 - (\$124,296)
Total	534			

Flow Range (mgd)	Non-general Dischargers	Current Fee Range Option 1	Changes under Option 4	Changes under Option 5
0 - .25	187	\$1,000 - \$1,138	\$0 - \$188	\$0 - \$427
.258 - 1.0	111	\$1,142 - \$1,551	\$194 - \$751	\$441 - \$1,709
1.036 - 5.0	112	\$1,571 - \$3,755	\$778 - \$3,755	\$1,771 - \$8,545
5.1 - 20.0	74	\$3,810 - \$12,020	\$3,830 - \$15,020	\$8,716 - \$34,180
20.2 - 108	40	\$12,130 - \$60,508	\$15,170 - \$81,108	\$34,552 - \$139,492
120 - 496	10	\$67,120 - \$274,296	\$90,120 - \$372,496	\$132,880 - (\$74,296)
Total	534			

Option 4 provides the smallest increase on fees to the 524 Non-General dischargers who have a flow range between 0 -108 mgd. Of the 187 dischargers with a flow between 0 - .25 mgd, 50 would see no change from the current fee schedule under Option 4. Option 2 provides the smallest increase and largest decrease on fees to Non-General dischargers who have a flow range between 120 - 496 mgd. Of these 10 dischargers, five would see an increase over the current fee schedule while five would see a decrease.

Based on current NPDES discharger flow information, Chart 2 shows the changes in fees for SEPPs and which option would either increase fees the least or decrease fees the most amount within the flow range.

Chart 2

Flow Range (mgd)	SEPPs	Current Range Option 1	Changes under Option 2	Changes under Option 3	Changes under Option 4	Changes under Option 5
265 – 2670	17	\$147,015 - \$1,472,170	(\$11,105) - (\$1,336,170)	\$102,985 - (\$1,222,170)	\$102,985 - (\$1,222,170)	\$52,985 - (\$1,272,170)

Option 2 provides the largest decrease on fees to the SEPPs. All 17 SEPPs would see a decrease in fees.

Chart 3 shows the redistribution of revenue for all NPDES dischargers.

Chart 3

Changes to NPDES Fees by Category					
Category	Current Fees Option 1	Option 2		Option 3	
	Revenue	Revenue	Difference	Revenue	Difference
SEPPs	\$8,610,263	\$2,312,000	(\$6,298,263)	\$4,250,000	(\$4,360,263)
Non- General	\$3,737,425	\$10,040,002	\$6,302,577	\$8,104,487	\$4,367,062
General	\$3,682,800	\$3,682,800	\$0	\$3,682,800	\$0
Totals	\$16,030,488	\$16,034,802	\$4,314	\$16,037,287	\$6,799

Changes to NPDES Fees by Category					
Category	Current Fees Option 1	Option 4		Option 5	
	Revenue	Revenue	Difference	Revenue	Difference
SEPPs	\$8,610,263	\$4,250,000	(\$4,360,263)	\$3,400,000	(\$5,210,263)
Non- General	\$3,737,425	\$8,103,618	\$4,366,193	\$8,958,215	\$5,220,790
General	\$3,682,800	\$3,682,800	\$0	\$3,682,800	\$0
Totals	\$16,030,488	\$16,036,418	\$5,929	\$16,041,015	\$10,527

**State Water Resources Control Board
WDPF Revenue and Expenditures
FY 2008-09 (\$000)**

FY 2008-09 Forecast			
Program	Revenue	Expenditures	Difference
NPDES Permit	\$17,320	\$17,137	\$183
NPDES Storm Water	\$21,057	\$21,459	(\$402)
WDR	\$16,984	\$16,899	\$85
Land Disposal	\$6,351	\$6,814	(\$463)
SWAMP	\$6,854	\$7,066	(\$212)
GAMA	\$2,414	\$2,308	\$106
401 Cert	\$2,460	\$3,442	(\$981)
CAF	\$2,784	\$2,718	\$66
Ag Waivers	\$698	\$429	\$269
Subtotal	\$76,922	\$78,272	(\$1,350)
Other*	\$1,613	\$343	\$1,270
Total	\$78,535	\$78,615	(\$80)

*Other revenues include fines and penalties, interest from the State's pooled money investment fund and escheat of unclaimed checks. Other expenditures include Pro Rata and State Operations for the Secretary for Environmental Protection Agency and State Controller's Office.

**State Water Resources Control Board
Revenue and Expenditures by Program
(\$000)**

NPDES Permit			
Fiscal Year	Revenue	Expenditures	Difference
2004-05	\$14,930	\$12,678	\$2,252
2005-06	\$14,123	\$13,355	\$768
2006-07	\$14,014	\$14,179	(\$165)
2007-08	\$14,199	\$18,500	(\$4,301)
2008-09 (Forecast)	\$17,320	\$17,137	\$183
2009-10 (Forecast)	\$17,320	\$17,316	\$4
Total	\$91,904	\$93,164	(\$1,260)

NPDES Storm Water			
Fiscal Year	Revenue	Expenditures	Difference
2004-05	\$18,279	\$13,069	\$5,209
2005-06	\$18,476	\$13,720	\$4,757
2006-07	\$21,235	\$16,499	\$4,736
2007-08	\$19,148	\$17,641	\$1,507
2008-09 (Forecast)	\$21,057	\$21,459	(\$402)
2009-10 (Forecast)	\$20,220	\$21,433	(\$1,213)
Total	\$118,414	\$103,821	\$14,594

WDR - Discharge to Land			
Fiscal Year	Revenue	Expenditures	Difference
2004-05	\$10,721	\$10,825	(\$104)
2005-06	\$10,283	\$12,175	(\$1,892)
2006-07	\$11,523	\$14,024	(\$2,501)
2007-08	\$11,935	\$15,285	(\$3,350)
2008-09 (Forecast)	\$16,984	\$16,899	\$85
2009-10 (Forecast)	\$16,984	\$16,916	\$69
Total	\$78,430	\$86,125	(\$7,695)

**State Water Resources Control Board
Revenue and Expenditures by Program
(\$000)**

WDR - Land Disposal			
Fiscal Year	Revenue	Expenditures	Difference
2004-05	\$5,287	\$4,634	\$652
2005-06	\$4,669	\$4,534	\$135
2006-07	\$4,784	\$5,778	(\$994)
2007-08	\$4,979	\$6,134	(\$1,155)
2008-09 (Forecast)	\$6,351	\$6,814	(\$463)
2009-10 (Forecast)	\$6,351	\$6,589	(\$238)
Total	\$32,421	\$34,483	(\$2,062)

401 Certification			
Fiscal Year	Revenue	Expenditures	Difference
2004-05	\$3,073	\$3,332	(\$259)
2005-06	\$3,446	\$2,516	\$930
2006-07	\$3,275	\$2,775	\$500
2007-08	\$2,356	\$3,534	(\$1,178)
2008-09 (Forecast)	\$2,460	\$3,442	(\$981)
2009-10 (Forecast)	\$2,160	\$3,383	(\$1,223)
Total	\$16,771	\$18,983	(\$2,212)

Confined Animal Facilities			
Fiscal Year	Revenue	Expenditures	Difference
2004-05	\$882	\$1,378	(\$496)
2005-06	\$1,711	\$1,223	\$488
2006-07	\$705	\$2,096	(\$1,391)
2007-08	\$371	\$2,565	(\$2,194)
2008-09 (Forecast)	\$2,784	\$2,718	\$66
2009-10 (Forecast)	\$2,784	\$2,729	\$55
Total	\$9,236	\$12,708	(\$3,472)

**State Water Resources Control Board
Revenue and Expenditures by Program
(\$000)**

SWAMP			
Fiscal Year	Revenue	Expenditures	Difference
2004-05	\$5,278	\$6,582	(\$1,304)
2005-06	\$5,816	\$7,056	(\$1,240)
2006-07	\$4,733	\$10,003	(\$5,269)
2007-08	\$5,712	\$6,918	(\$1,206)
2008-09 (Forecast)	\$6,854	\$7,066	(\$212)
2009-10 (Forecast)	\$6,854	\$7,268	(\$414)
Total	\$35,247	\$44,893	(\$9,646)

GAMA			
Fiscal Year	Revenue	Expenditures	Difference
2004-05	\$1,530	\$1,940	(\$410)
2005-06	\$1,468	\$2,033	(\$565)
2006-07	\$1,522	\$1,907	(\$386)
2007-08	\$1,617	\$1,956	(\$339)
2008-09 (Forecast)	\$2,414	\$2,308	\$106
2009-10 (Forecast)	\$2,414	\$2,723	(\$310)
Total	\$10,964	\$12,867	(\$1,903)

Agricultural Waivers			
Fiscal Year	Revenue	Expenditures	Difference
2004-05	\$0	\$3,169	(\$3,169)
2005-06	\$569	\$2,114	(\$1,545)
2006-07	\$644	\$391	\$253
2007-08	\$643	\$445	\$198
2008-09 (Forecast)	\$698	\$429	\$269
2009-10 (Forecast)	\$698	\$411	\$287
Total	\$3,251	\$6,959	(\$3,708)

**State Water Resources Control Board
Revenue and Expenditures by Program
(\$000)**

Total WDPF Program Revenue			
Fiscal Year	Revenue	Expenditures	Difference
2004-05	\$59,978	\$57,607	\$2,371
2005-06	\$60,561	\$58,726	\$1,835
2006-07	\$62,435	\$67,652	(\$5,217)
2007-08	\$60,959	\$72,978	(\$12,019)
2008-09 (Forecast)	\$76,922	\$78,272	(\$1,350)
2009-10 (Forecast)	\$75,785	\$78,768	(\$2,983)
Total	\$396,639	\$414,003	(\$17,364)

State Water Resources Control Board

WDPF Fund Condition (\$000)

	Actuals						Forecast		
	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11
BEGINNING BALANCE	\$6,000	\$8,808	\$11,201	\$14,244	\$19,131	\$17,287	\$9,793	\$9,259	\$7,458
Prior year adjustments ¹			(\$343)	\$381	\$1,247	\$1,807	\$580		
Restricted Revenue ²							(\$3,200)	(\$1,500)	
Adjusted Beginning Balance	\$6,000	\$8,808	\$10,858	\$14,625	\$20,378	\$19,094	\$7,173	\$7,759	\$7,458
Revenue									
Regulatory Fees	\$34,009	\$53,699	\$59,978	\$60,561	\$62,435	\$60,959	\$76,922	\$75,785	\$74,585
Other ³			\$1,019	\$2,968	\$2,622	\$3,037	\$1,613	\$400	\$400
Total Revenue	\$34,009	\$53,699	\$60,997	\$63,529	\$65,057	\$63,996	\$78,535	\$76,185	\$74,985
Expenditures									
Water Bd. State Operations	\$28,736	\$51,305	\$57,607	\$58,726	\$67,652	\$72,978	\$78,272	\$78,768	\$79,086
Projected Furlough Savings ⁴							(\$2,166)	(\$2,600)	
Other State Operations ⁵	\$2,465	\$1	\$4	\$297	\$496	\$319	\$343	\$318	\$318
Total Expenditures	\$31,201	\$51,306	\$57,611	\$59,023	\$68,148	\$73,297	\$76,449	\$76,486	\$79,404
Gain/(Loss)	\$2,808	\$2,393	\$3,386	\$4,506	(\$3,091)	(\$9,301)	\$2,087	(\$302)	(\$4,419)
ENDING BALANCE	\$8,808	\$11,201	\$14,244	\$19,131	\$17,287	\$9,793	\$9,259	\$7,458	\$3,039

1. Most adjustments represent unspent contract dollars that revert to the Fund. In FY 08-09, \$580 thousand is expected to revert to the Fund.

2. Restricted revenue is revenue received from fines and penalties that must be expended on cleanup and abatement activities. In FY 08-09, \$3.2 million will be transferred to the Cleanup and Abatement Account, with another \$1.5 million expected to be transferred in FY 09-10.

3. Other revenue includes fines and penalties, interest from the state's pooled money investment fund, and escheat from unclaimed checks.

4. Furlough savings are based on nine percent salary savings for five months in FY 08-09 and four and a half percent salary savings for a full year in FY 09-10.

5. Other state operations includes appropriations for Cal/EPA, the State Controller's Office, and prorata.